



*Andrew H. Junkin, CFA, CIMA, CAIA
Managing Director and Principal*

September 3, 2008

Ms. Anne Stausboll
Interim Chief Investment Officer
California Public Employees' Retirement System
400 Q Street
Sacramento, CA 95814

Re: Supplemental Income Plans – New Fund Line-Up

Dear Anne,

You requested Wilshire's opinion with respect to Staff's agenda item presenting the new fund line-up for the Supplemental Income Plans, specifically the 457 plan and the Supplemental Contributions Program (SCP). Staff has made several changes to the line-up, which ultimately offers SIP participants more opportunities to diversify and to take advantage of CalPERS' internal investment talent.

Discussion

The changes that are being presented in this item are the culmination of several long-term projects, including the addition of active SMID cap growth and value options, the change from SSgA Stable Value to PIMCO Stable Value, the introduction of the CalPERS-managed risk-based and target retirement date funds, and the change from SSgA's international equity product to the Pyramis Select International product. Wilshire has worked extensively with Staff on each of these projects and we have had significant input into each of these changes. As we have noted in several prior opinion letters on each of the individual projects, we feel that these changes are in the best interests of the participants, offer participants greater flexibility in managing their investments, and offer participants greater potential to diversify their investments.

Conclusion

Wilshire believes that the 457 and SCP offer a broad line-up of investments to help participants reach their financial goals. We will continue to work with Staff to monitor each of the programs of the Supplemental Income Plans and make recommendations to the Investment Committee, as needed.

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If you have any questions or comments, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Anne Stausboll". The signature is written in a cursive style with a large, looping initial "A" and a long, sweeping underline.